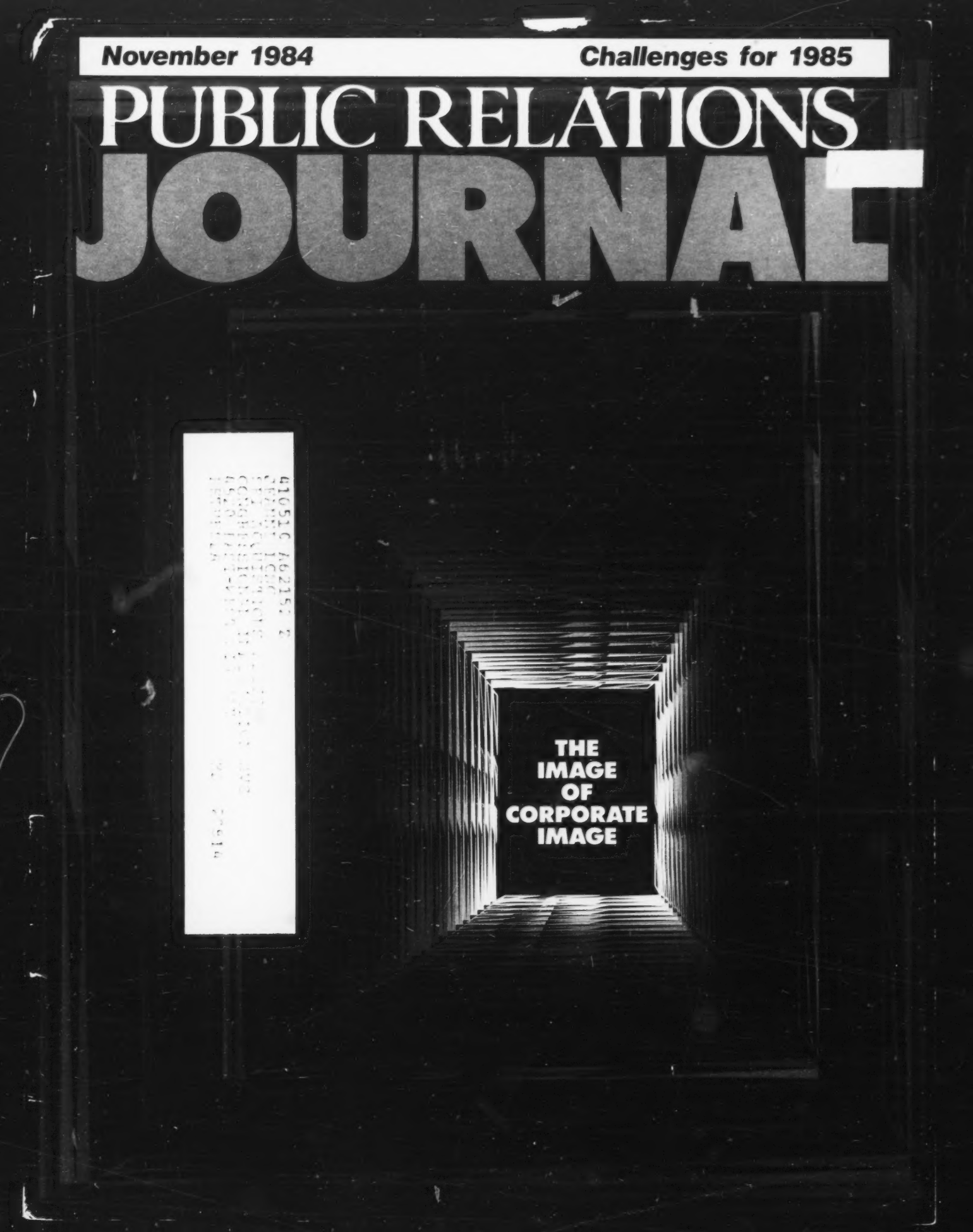
November 1984

Challenges for 1985

PUBLIC RELATIONS JOURNAL



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PUBLIC RELATIONS JOURNAL

The Public Relations Society of America (PRSA) is an individual-membership professional society of 11,800 public relations practitioners. Its major services to members include programs of Professional Development and Accreditation, an Information Center, publications, tracking of issues of national concern, and promotion of ethical practice through adherence to PRSA's "Code of Professional Standards." PRSA's mission is, "To serve the public need for understanding and cooperation among its diverse interests by fostering high professional and ethical standards for all those practicing public relations."

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Photo credit: Barron's *"Image of Corporate Image," pages 12, 14*

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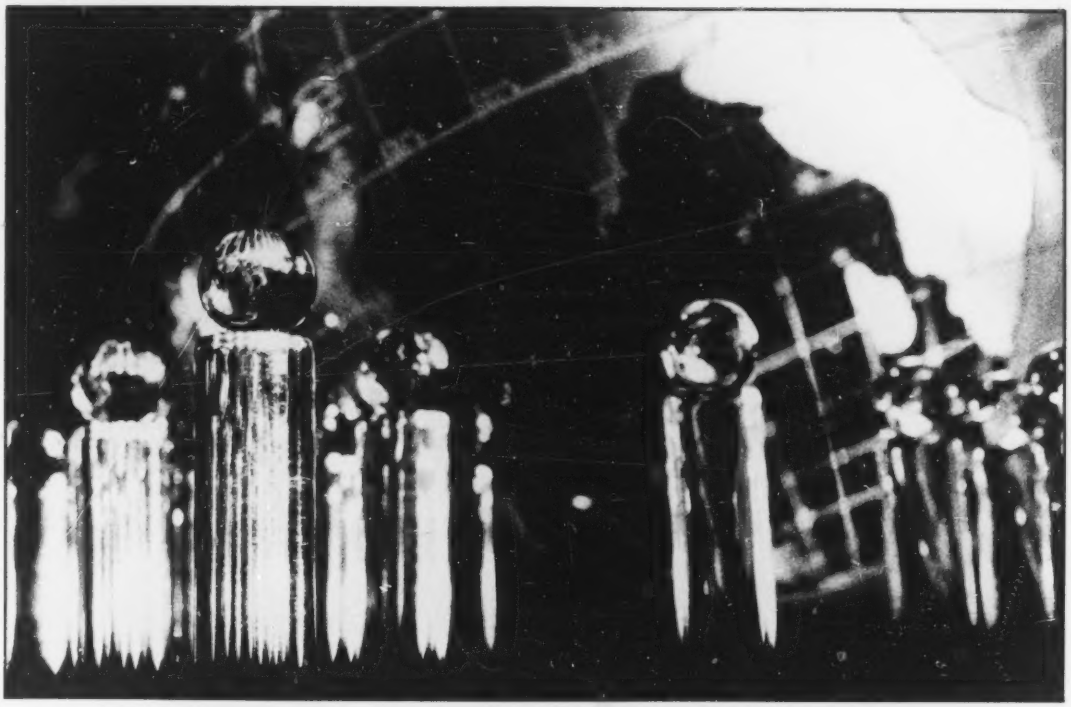


THE IMAGE OF CORPORATE IMAGE

Barron's survey of the financial community and company executives probes the pregnant question: Does the reality or illusion of positive corporate image pay off?

Pat Botwinick

CORPORATIONS annually invest over a billion dollars on corporate communications, primarily for image advertising in print and on television. By any standards, that is a major investment.

Does the reality or illusion of positive corporate image pay off? Is there an environment in which the targets of corporate communications are particularly responsive to the messages presented by corporate management? And what types of information are these targets seeking?

Ms. Botwinick is marketing services director, Dow Jones & Company, Inc. For a copy of the study, contact Marketing Services, Barron's, *420 Lexington Avenue, New York, NY 10170; or call (212) 808-6847.*

Earlier this year, *Barron's*, the weekly business and financial magazine published by Dow Jones & Co., Inc., New York City, sought answers to these questions by conducting a major original research project.

The results show what attracts, reassures, interests, persuades and moves target audiences. Further, results document *where* you can best reach the people most important to your company.

We mailed 5,382 questionnaires and 3,141 were completed by institutional and individual investors, brokers, corporate executives of companies with $500 million or more in annual sales, and investment bankers. Survey respondents are quite articulate about the advertising media and about the messages that move them. More than seven out of 10 of these business and financial decision makers perceive corporate advertising positively, and report that it helps determine their actions.

The value of image

Every sector of the business and financial community surveyed places a high degree of importance on corporate image. Sixty-seven percent of institutional investors and investment bankers and 84 percent of brokers feel corporate image is *very* important.

But does perceived value lead to action?

Three out of four respondents report that corporate image advertising has called their attention to, or led them to look into, a company's investment qualifications. However, the difference between

perception and action should be of significant interest and value to those trying to better understand the workings of corporate image advertising. Table 1 shows which groups report good corporate image to be very important, and which groups report that corporate image advertising has led them to look into a company's investment qualifications.

Corporate executives are enthusiastic about the need for and the value of corporate image advertising. This suggests they believe there is benefit; a measure of positive return on their investment. However, they say they are the least likely to act on image advertising done by themselves or others.

While institutional investors and investment bankers are the least likely to credit corporate image with affecting the value of securities, the research shows that large numbers of them have investigated a company's investment qualifications as a result of corporate advertising.

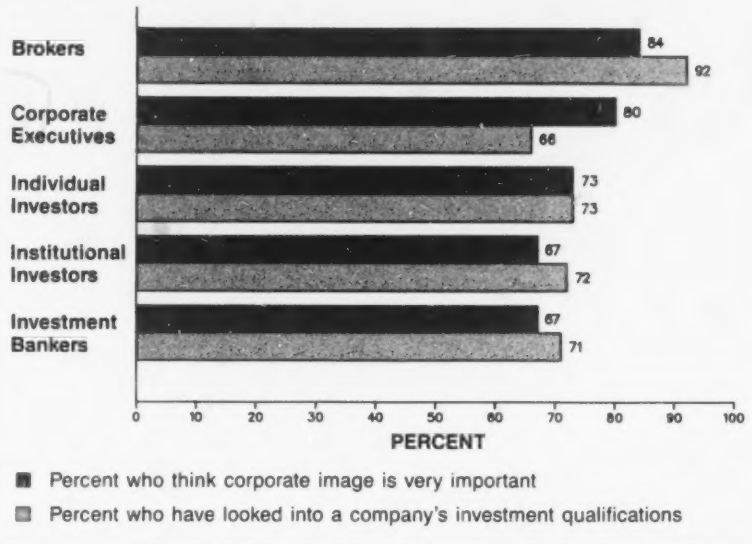
Brokers, the group most willing to acknowledge value in corporate image advertising, are the ones who most look to corporate advertising for leads. In fact, nine out of 10 have investigated a company's investment qualifications because of image advertising.

The *Barron's* research quantifies that corporate image advertising can favorably affect the business and financial communities *and* the value of a company's securities.

Has investigation of a company's securities led to a purchase?

The majority of the study group (82 percent) say yes. And, while this is a *de facto* report of those who manage

Table 1: Good Corporate Image Relative To Investigation Of Investment Qualifications



millions, it seems prudent to accept the results by better understanding the value of image, rather than attempting to place a monetary figure on it.

Medium and message

The medium nominated as providing the best climate for response-oriented image advertising is print—specifically, business and financial publications. The margin is two to one over newsweekly publications, and slightly less than two to one over TV [*see Table 2*].

Print—primarily business and financial editorial environments—has been the testing ground and mainstay of most corporate campaigns, particularly those designed to evoke action. Many campaigns aimed at adding awareness have used mass media, notably TV.

Individuals seek diverse information in corporate advertising. But of particular importance to corporate advertising audiences is the role of *new product and service* announcements. Better than 80 percent of respondents value this type of information, compared with 63 percent for "use of new technology," 62 percent

Table 2: Best Media Climate
(Percent responding)

	Total Respondents	Individual Investors	Corporate Executives	Brokers	Institutional Investors	Investment Bankers
Business/Financial Publications	90	88	89	89	92	92
Weekly News Magazines	47	53	51	47	45	37
Television	43	43	42	57	38	39
Local Newspapers	20	28	21	22	15	16
Special Interest Magazines	11	11	11	13	11	10
General Interest Magazines	11	9	11	12	12	12
Radio	9	9	6	11	9	9

Note: Percentages total more than 100 percent because of multiple answers.

Table 3: Effectiveness of Corporate Campaign
(Percent responding)

	Total Respondents	Individual Investors	Corporate Executives	Brokers	Institutional Investors	Investment Bankers
Awareness of company has increased in line with company's objectives	62	57	66	56	65	65
Investors are requesting more information (coupons, WATS line, etc.)	59	60	50	64	59	61
Customers and prospects are talking about the advertising	57	58	61	59	58	52
More analysts are following the company	50	52	49	49	49	54
More institutions are purchasing the stock	38	41	41	42	34	38
Stock price has risen	26	35	28	32	17	22
Other	4	5	3	4	4	3

Note: Percentages total more than 100 percent because of multiple answers.

for "changes in earnings," and 51 percent for "acquisitions/mergers." "Position regarding topical social issues" ranks last with 12 percent indicating interest.

The primary audiences

Who should be getting these messages?

Most everyone in the sample believes corporate communications are best directed to the target groups of business executives and individual investors (with 64 percent of respondents each). While the number and diversity of corporate advertising target audiences have increased in recent years, five out of the top six audiences selected by the total group represent the traditional targets of corporate advertising: the influentials in the business and financial communities.

Customers are considered a primary target by 53 percent of respondents, followed by financial analysts (50 percent), portfolio managers (49 percent), stock brokers (43 percent), and employees (41 percent). Trailing the pack are investment bankers (31 percent), the press (29 percent), opinion leaders (27 percent), Congress (15 percent), local politicians (10 percent), union leaders (8 percent), and university professors (6 percent).

Perhaps one of the most elusive yet vitally important aspects of a corporate

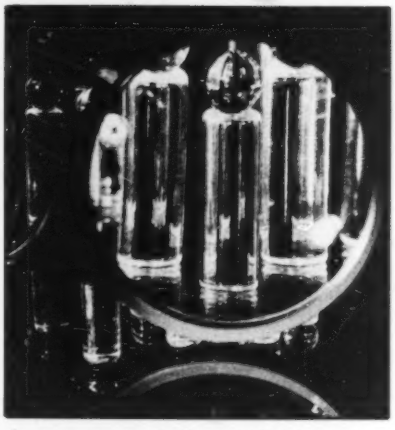


image program is the creative treatment of the message. All of the key audiences are familiar with the building blocks of corporate advertising, and respond to particular formats based on the information they seek. A clear majority say they respond to concise information (short copy); three out of four say they respond to a distinctive headline. Further, less than half say they respond to the remaining creative elements. Just over 40 percent respond to use of photographs; 35 percent say that illustrations help. Only one in ten is encouraged to look at, read or respond to an advertisment that contains a coupon or other response device, and about the same number is encouraged by customer endorsements.

Evaluating results

What are the signs that a corporate advertising campaign is working?

Certainly, no group would take a harder look at the results of dollars invested in corporate advertising than the target audiences in the survey. Six out of 10 respondents consider a corporate advertising program successful if awareness of the company is increased, while more than half would examine the number of requests coming from investors. Following closely behind these top two responses, 57 percent say that a campaign is working if customers and prospects are talking about the advertising.

Many will agree that the art of corporate communication is still in the age of exploration.

As target audiences are subjected to a continuous flow of information from a proliferation of sources, the way they perceive a corporate message—and the company behind it—can change.

In this billion-dollar-plus arena, the art of communicating must be constantly updated to meet shifting perceptions of knowledgeable and demanding audiences. ■

CORPORATE ADVERTISING COSTS

The *Journal*'s 13th annual survey of corporate ad expenditures in six media shows a 13.3 percent increase in 1983 for companies and a 26.1 percent hike for trade associations

COMPANY corporate advertising expenditures in six media increased 13.3 percent in 1983 over 1982, while trade association outlays increased 26.1 percent, according to the *Public Relations Journal*'s 13th annual survey of corporate advertising expenditures.

Company spending, as *PRJ* tracks it, increased steadily between 1977 and 1980, plateaued in 1981, and dropped back in 1982 [*see Table 1, page 24*]. The drop in 1982, although not dramatic, was the first decrease of any significance since 1975, when company spending dipped 6 percent. Of the six media surveyed—consumer magazines, network television, spot TV, radio, Sunday magazine supplements, and outdoor advertising—companies cut back spending in four categories: Sunday supplements, down nearly 45 percent in 1983 after a 44.3 percent gain in 1982; spot TV, off some 10 percent following a 30.4 percent drop in 1982; radio, down 13.5 percent after a whopping 42 percent gain the year before; and outdoor advertising, down some 8 percent after gaining 38 points in 1982.

Only one medium—network TV—showed a substantial gain in company corporate advertising dollars in 1983, jumping 31.4 percent. Consumer magazines registered a modest 6.9 percent gain.

PRJ's figures for 1977-83 show that the media companies consistently have favored for their corporate messages are consumer magazines and network TV. Spot TV continues in third place despite downturns two years in succession. These spending preferences continued into 1983, with network TV cornering some 43 percent of aggregate 1983 company outlays. Consumer magazines, including such business publications as *Business Week*, *Fortune*, *Forbes*, and *Dun's Business Month*, got the biggest piece of the pie—48 percent of total company dollars in six media despite a modest increase in 1983.

Associations relied most heavily on these same three media in 1983, but in reverse order: Spot TV commanded 59.5 percent of total association six-media dollars, and spot spending was up 34.5 percent last year; network TV got a 20.5 percent share of the total and a more than 16 percent increase over 1982; consumer magazines, associations' third preference, dropped slightly from the previous year.

Associations' 1983 expenditures in other media showed Sunday magazines up a substantial 55 percent, radio up over 40 percent, and outdoor up an amazing 127.8 percent.

Data for *PRJ*'s annual survey are compiled exclusively for the *Journal* by Leading National Advertisers (New York). Data are collected from Publishers Advertising Reports (magazines and supplements), Broadcast Advertising Reports, and the Institute of Outdoor Advertising. Outdoor expenditures represent national poster and paint advertising in plant operator markets of over 100,000 population. Spot TV expenditures are determined by monitoring 260 stations in 75 top markets.

Since figures are for one-time rates and do not take discounts into consideration, they are higher than actual expenditures. It also must be considered that often it is difficult to determine which advertisements are corporate.

The top ten

The top 10 company corporate advertisers for 1983 [*Table 2, page 25*] together invested some $222 million in corporate advertising, 28.9 percent more than in 1982. The list includes five companies in high technology, three in automotive and one in chemicals.

AT&T heads the top 10, jumping from 2nd in 1982. AT&T is followed by Ford Motor Company, which stepped down from number one in 1982. Among the companies in high-tech industries, GTE held onto 6th place, IBM remained in 4th, and IT&T advanced to 9th from 10th in 1982. Xerox, 8th in 1982, did not make the top 10. Oil companies Shell and Phillips Petroleum dropped out of the top

[*Continued on page 22*]

10 after being 5th and 7th respectively in 1982, and Chrysler Corporation, General Electric Company and Santa Fe Pacific Corporation came in in the 5th, 7th and 9th spots respectively. Du Pont dropped to 10th from 9th in 1982.

Only ITT of the top 10 companies cut back total corporate advertising spending in 1983, and two media showed substantial gains over 1982: Sunday magazines, up 17.4 percent; and network TV, 45.8 percent over 1982.

The top 10 association corporate advertisers [*Table 3, page 25*] collectively spent $185.3 million in six media in 1983, 30.3 percent more than in 1982. In individual media, last year associations increased consumer magazine outlays by 124.7 percent over 1982, Sunday magazines by 435.3 percent, spot TV expenditures by 29.8 percent, and outdoor by 154 percent. American Dairy Association, the sole radio advertiser among the top 10 for the past three years, expanded spending in that medium by 115.9 percent. Associations clamped down slightly in network TV, cutting back by 4 percent.

The rundown for last year's top 10 associations was dominated by automotive dealers. General Motors Corporation Dealer Associations led the pack, and have since 1977, according to *PRJ*'s annual surveys. New to the top 10 in 1983 were the Commonwealth of Puerto Rico (7th) and American Motors Corporation Dealers Associations (10th). Subaru Dealer Associations (7th in 1982) and Toyota Dealers Associations (10th) did not make a showing in 1983.

Trends for 1984

The purchase of Leading National Advertisers earlier this year by Publishers Advertising Reports has delayed availability of corporate advertising expenditures for the first half of 1984, which would have appeared in this report. However, the following synopsis, based on comments by industry sources and the *Journal*'s observations, should provide readers with good insight into current spending and tactical trends.

Corporate advertising expenditures by companies and associations for this year can be expected to exceed $950 million. That would represent an increase of ap-

proximately 20 percent over 1983 in the same six media.

Indications are that the larger the corporation, the more apt it is to use, and spend on, corporate advertising. Consider these findings: About half (51 percent) of the *Fortune* 500 corporations engage in some form of corporate advertising; of the top 50 companies, 48 (96 percent) use corporate advertising; for companies ranked 100 to 200, that figure is 39 (78 percent); of companies ranked 200 to 300, 68 (68 percent) use corporate advertising.

The post-recession period has seen a number of changes in the way corporate advertising is used:

- Advocacy advertising is not as prevalent as in the past, possibly because the Reagan Administration has created more favorable conditions for business.
- Corporate advertising addressed to individual investors has increased in response to a number of forces, including greater competition for equity dollars from IRAs and other investment opportunities, competition for broker attention, the rise of the discount broker, and competition for analysts' attention in the face of increasing demands on their time.
- Market preparation advertising is on the rise. The trend, which began in the recent recession as an economy measure, is continuing in many industries. It accounts for a shift among the major corporate advertising players. For example, as Table 2 shows, the automotive field has topped the oil industry in corporate ad expenditures. Heavy industry and metals, once the principal users of corporate advertising, cut back throughout the recession and are coming back slowly. They have been superseded by electronic and high-tech companies as major users of this form of advertising, an observation borne out by *PRJ*'s survey.

Corporate advertising dollar volume is growing more rapidly in 1984 than in any previous year. Evidence to support this statement is everywhere.

1. Business publications are reporting major increases in corporate advertising over last year. Their estimates range from 18 percent to over 50 percent.

2. Companies that stopped their corporate advertising during the recession have resumed it in large numbers. Just a few well-known names that have returned: National Gypsum, McDonnell Douglas, Textron, American Can, International Harvester, Champion and Lockheed.

3. New (first-time) corporate advertisers include: Hughes, Eli Lilly, Schering Drug, Compaq, Core, Household International, Martin-Marietta, Unidynamics, HCA, Bradford, MSA, Datapoint, General Data, American Standard, M.A.B., Stanley, Grow Group, Crownx, Fansteel, Inland Steel, Armco, R.J. Reynolds, Fort Howard, RCA.

4. Whole industries seem to be taking to the technique, including all the new telephone companies, software manufacturers, pharmaceuticals (Pfizer, Upjohn, Eli Lilly and Schering all within the last two years) and food (*e.g.*, Frito-Lay and Beatrice).

5. Foreign companies are beginning to introduce themselves to potential partners, investors and customers through corporate advertising. To name a few: Daewood, Aerospatiale, Costain, Sarpem, Fujitsu, Henkel, Hitachi, Krupp, Lucky-Goldstar, Mazda, Matsushita, Kemira, Pechiney, Phillips, Veba, Seimen and Ericcson.

6. Company subsidiaries are beginning to run corporate advertising campaigns on their own. That may seem odd, but that is what's happening. Electronics trade magazines, for example, are loaded with the corporate advertisements of subsidiaries that talk about their companies, their capabilities, their services and reputations, rather than their products. Subsidiaries currently running campaigns include Arco Metals, Sunoco, Amoco Chemicals, Shell Chemicals, and McCormack & Dodge. ■

[*Continued on page 24*]

Table 1: Six-Media Advertising Expenditures, 1977-1983

Company Advertising (in $ thousands)

	1977	1978	Percent Change	1979	Percent Change	1980	Percent Change	1981	Percent Change	1982	Percent Change	1983	Percent Change
Consumer magazines	$133,362.6	$155,025.4	16.2%	$197,641.5	(27.5%)	$217,869.7	10.2%	$249,152.0	14.3%	$205,300.1	(17.6%)	$219,521.7	6.9%
Sunday magazines	5,750.6	3,908.7	(32.0%)	6,152.5	57.4%	4,310.3	(30.0%)	5,264.1	22.1%	7,593.8	44.3%	4,205.5	(44.6%)
Network television	125,157.8	138,214.0	10.4%	152,551.3	10.4%	159,947.3	5.0%	118,794.7	(25.7%)	150,102.9	26.4%	197,267.9	31.4%
Spot television	61,420.4	31,903.3	(48.1%)	31,366.7	(1.7%)	39,260.1	25.1%	40,395.2	2.9%	28,118.1	(30.4%)	25,201.6	(10.4%)
Radio	2,897.5	1,210.9	(58.2%)	5,700.0	370.7%	7,409.7	30.0%	7,866.4	6.2%	11,175.2	42.1%	9,661.0	(13.5%)
Outdoor	679.1	454.0	(33.1%)	452.8	(.3%)	470.7	4.0%	665.2	41.3%	918.0	38.0%	843.0	(8.2%)
Six-media totals	$329,268.0	$330,716.3	0.4%	$393,864.8	19.1%	$429,267.8	9.0%	$422,137.6	(1.6%)	$403,208.1	(4.5%)	$456,700.7	13.3%

Association Advertising (in $ thousands)

	1977	1978	Percent Change	1979	Percent Change	1980	Percent Change	1981	Percent Change	1982	Percent Change	1983	Percent Change
Consumer magazines	$25,561.3	$32,575.8	27.4%	$45,919.5	41.0%	$48,359.6	5.3%	$ 46,222.8	(4.4%)	$46,479.7	0.6%	$ 46,059.4	(0.9%)
Sunday magazines	1,292.0	913.3	(29.3%)	2,396.5	162.4%	2,540.8	6.0%	1,918.4	(24.5%)	2,301.4	20.0%	3,569.3	55.1%
Network television	36,886.1	33,951.6	(7.9%)	33,164.3	(2.3%)	48,941.0	47.6%	50,125.4	2.4%	60,286.5	20.3%	70,001.7	16.1%
Spot television	75,702.2	86,280.1	13.9%	99,240.9	15.0%	89,511.8	(10.0%)	119,014.1	32.9%	150,763.0	(26.7%)	202,838.6	34.5%
Radio	1,129.9	1,409.4	24.7%	2,332.5	65.5%	4,996.8	114.2%	6,130.6	22.7%	6,365.8	3.8%	8,968.7	40.9%
Outdoor	4,514.6	4,960.5	9.9%	4,204.9	(15.2%)	3,878.2	(8.0%)	4,566.7	17.7%	4,213.9	(7.7%)	9,600.5	127.8%
Six-media totals	$145,086.1	$160,090.7	10.3%	$187,258.6	17.0%	$198,228.2	6.0%	$227,978.0	15.0%	$270,410.3	18.6%	$341,038.2	26.1%

Table 2: Ten Leading Company Advertisers
January-December 1983—In dollar (thousands) rank order

	Six-Media Totals	Consumer Magazines	Sunday Magazines	Network TV	Spot TV	Radio	Outdoor
American Telephone & Telegraph Co.	$ 79,571.4	$24,866.5	$ 612.4	$ 52,924.2	$ 449.8	$ 717.6	$ 1.3
Ford Motor Co.	38,352.8	14,380.4	—	20,714.3	2,382.7	875.4	—
General Motors Corp.	33,211.5	13,630.9	134.2	15,687.0	1,783.7	1,971.8	3.8
International Business Machines Corp.	18,073.8	5,267.9	404.4	11,823.8	128.5	449.2	—
Chrysler Corp.	10,462.8	4,132.0	—	6,272.0	58.5	—	—
GTE Corp.	10,177.5	4,165.3	—	5,992.7	20.5	—	—
General Electric Co.	8,921.2	1,103.3	23.5	7,561.1	216.2	—	17.1
International Telephone & Telegraph Corp.	7,878.6	3,922.8	109.3	3,718.2	11.7	116.6	—
Santa Fe Southern Pacific Corp.	7,853.0	1,856.0	—	5,997.0	—	—	—
E.I. Du Pont De Nemours & Co., Inc.	7,479.5	41.3	—	7,413.7	23.6	—	0.9
Totals	$221,982.1	$73,366.4	$1,283.8	$138,104.0	$5,075.5	$4,130.6	$23.1

Table 3: Ten Leading Association Advertisers
January-December 1983—In dollar (thousands) rank order

	Six-Media Totals	Consumer Magazines	Sunday Magazines	Network TV	Spot TV	Radio	Outdoor
General Motors Corp. Dealer Associations	$ 56,363.8	—	—	—	$ 55,806.1	—	$ 557.7
Nissan Motor Co., Ltd. Dealer Associations	24,126.7	—	—	—	23,841.8	—	284.9
State of Florida	19,185.8	$ 2,119.9	—	$14,510.8	2,555.1	—	—
Ford Motor Co. Dealer Associations	18,466.7	—	—	—	15,694.8	—	2,771.9
American Dairy Association	18,139.0	167.6	$134.3	4,531.9	11,376.0	$1,714.9	214.3
Chrysler Corp. Dealer Associations	12,894.3	—	—	—	11,922.0	—	572.3
Commonwealth of Puerto Rico	9,304.3	8,768.4	305.3	—	—	—	230.6
American Gas Association, Inc.	9,247.3	4,941.7	—	3,922.6	377.2	—	5.8
National Federation of Coffee Growers	8,835.3	1,153.9	51.8	6,492.8	1,136.8	—	—
American Motors Corp. Dealer Associations	8,745.4	—	—	—	8,271.4	—	474.0
Totals	$185,308.6	$17,151.5	$491.4	$29,458.1	$130,981.2	$1,714.9	$5,111.5

ANNUAL REPORT CREDIBILITY

Survey of individual and professional investors reveals they distrust what they read in annual reports and believe that bad news and problems are often hidden or omitted

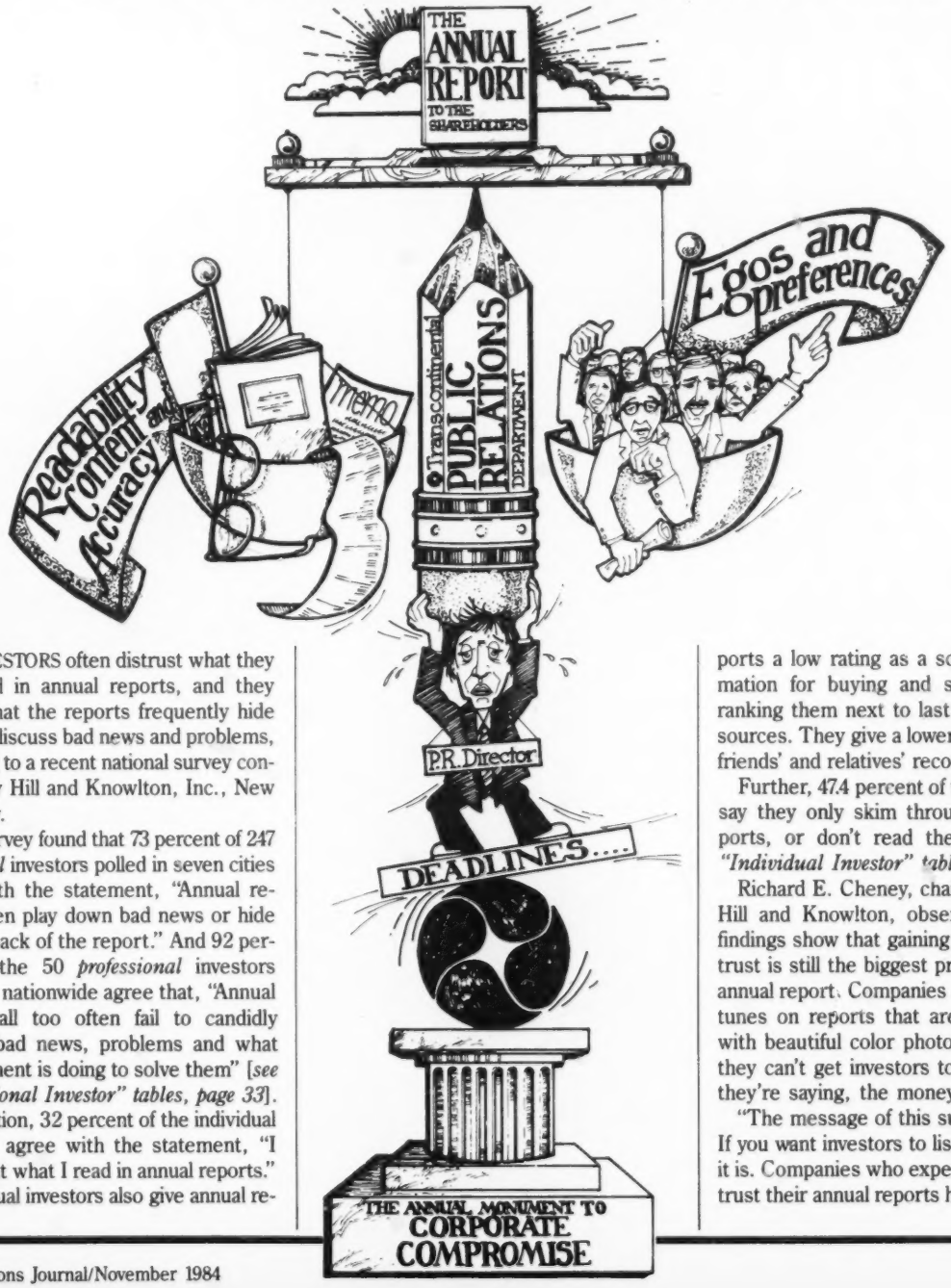


Illustration by Annette Yeakes

INVESTORS often distrust what they read in annual reports, and they believe that the reports frequently hide or fail to discuss bad news and problems, according to a recent national survey conducted by Hill and Knowlton, Inc., New York City.

The survey found that 73 percent of 247 *individual* investors polled in seven cities agree with the statement, "Annual reports often play down bad news or hide it in the back of the report." And 92 percent of the 50 *professional* investors surveyed nationwide agree that, "Annual reports all too often fail to candidly discuss bad news, problems and what management is doing to solve them" [*see "Professional Investor" tables, page 33*].

In addition, 32 percent of the individual investors agree with the statement, "I don't trust what I read in annual reports."

Individual investors also give annual reports a low rating as a source of information for buying and selling stocks, ranking them next to last among seven sources. They give a lower rating only to friends' and relatives' recommendations.

Further, 47.4 percent of the individuals say they only skim through annual reports, or don't read them at all [*see "Individual Investor" tables, page 32*].

Richard E. Cheney, chairman, U.S.A., Hill and Knowlton, observed: "These findings show that gaining the investor's trust is still the biggest problem for the annual report. Companies can spend fortunes on reports that are 'glossed up' with beautiful color photographs, but if they can't get investors to believe what they're saying, the money's wasted.

"The message of this survey is clear: If you want investors to listen, tell it like it is. Companies who expect investors to trust their annual reports had better deal

candidly with bad news up front, spell out their future plans on the record, and tell investors how well they did at achieving what they set out to do in previous reports."

Not too detailed

Contrary to much recent opinion, investors do not find annual reports too detailed. Fifty-eight percent of the individuals find annual reports easy to read and understand. And in naming ways in which reports could be most useful to them, professional investors indicate "disclose as many details and numbers as possible" as their second choice.

The professionals' first choice for making reports most useful is to "present the business in a segment-by-segment format." The professionals—security analysts serving on corporate information committees and subcommittees of the Financial Analysts Federation—criticize companies' business-segment disclosure, with 76 percent of the sample agreeing with the statement: "All too often, annual reports fail to display business-segment numbers prominently and clearly."

Professionals place business-segment information second—right behind the financial statements—in ranking the elements of an annual report in order of importance.

The professionals also think annual reports come up short in providing several kinds of information they use in assessing a company's future: 56 percent agree with the statement, "Annual reports all too often fail to clearly present management's goals and strategy"; 92 percent believe reports all too often fail to present information on a company's competitive situation in its various businesses; and 62 percent agree that annual reports too often fail to clearly discuss the outlook for the coming year.

Improvements in quality

While investors register something less than complete satisfaction with annuals, printers that specialize in this area report that graphic sophistication is on the upswing.

For example, according to Graphic Arts Center (GAC), Portland, Oregon, a leading annual report printer, the quality is no doubt heading upward, with additional special colors and graphic techniques throughout the financial and management sections. "A few years ago," GAC's Director of Marketing Ned Malcolm explains, "full-color photographs and charts were thought of as being the epitome of sophisticated annual-report design. Then came the push from designers for additional special colors, varnishes and other special graphic elements. This has also boosted the sale of multiunit sheet-fed and web offset presses beyond manufacturer's predictions.

"There is also a widespread use of premium grades of glossy coated stocks for better reproduction. Paper mills throughout the United States that make these premium grades have found it necessary to place this particular tonnage on allotment to printers. The supply/demand of coated grades during the months of February and March (when most annual reports are printed) puts a heavy burden on paper merchants and printers alike to respond to their clients' demands for the best possible reproduction."

These and other observations are based on GAC's recent study of 457 annuals for 1983 from companies in the *Fortune* 500, the *Forbes* list of companies, and small entrepreneurs in the early stages of corporate growth. The reports were divided by the companies' price/earnings (P/E) ratios, from zero through 30 percent in 5 percent increments, and then examined in terms of size, number of pages, colors and stock—10 different categories in all.

The average number of pages, too, is increasing, according to Mr. Malcolm. In a study completed four years ago, GAC found annuals running 36 pages, compared with 40 pages plus covers today. "Not too surprising, in the wake of Securities and Exchange Commission requirements for more disclosure information, larger type faces, more space between lines, and the number of uses companies now find for their annual reports," he explains.

Companies showing a minus P/E produced the leanest annual reports, the study shows, and healthier companies were far more extravagant with oversized reports and additional colors.

The largest annual report, 102 pages, was produced by Warner Communications; the smallest, 12 pages, by Nationwide. Apparently, profit or loss did not form the basis for design considerations; some companies that showed a minus on the balance sheet produced annual reports with 60 pages.

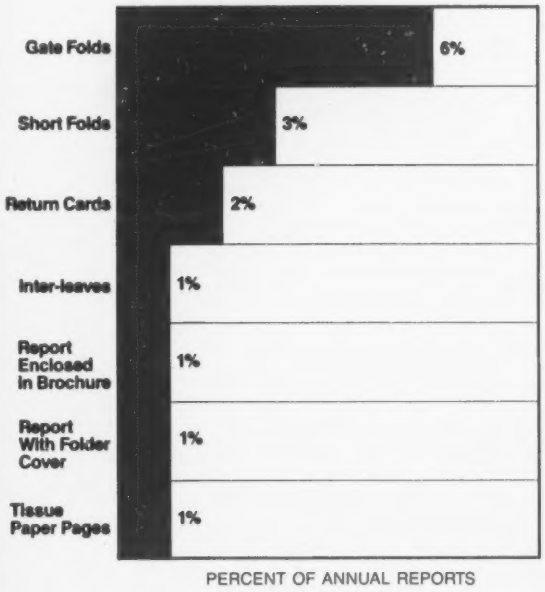
"The annual reports reviewed in this study reveal an interesting level of sophistication in the communication of a wide variety of ideas, events and facts to audiences with even wider ranges of interests.

"Merge these talents with the rampant advancements in printing technologies, premium coated papers and computer-

INDIVIDUAL INVESTOR REACTIONS

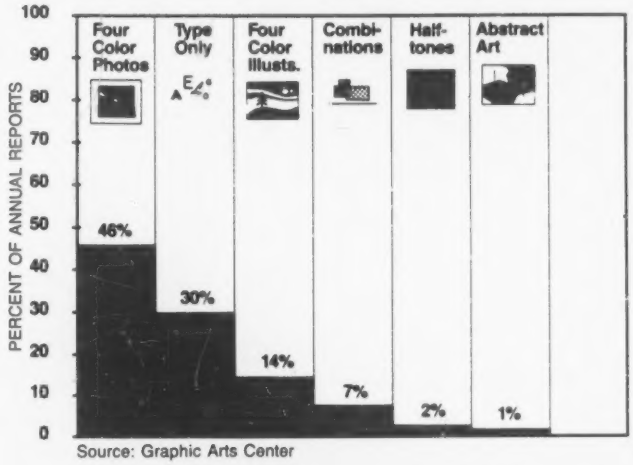
	Percent Responding
Deal with reports by:	
Studying them	18.2
Reading them	32.8
Skimming them	42.5
Ignoring them	4.9
Don't know/no answer	1.6
Detail in reports is:	
Too little	14.2
Enough	47.0
Too much	28.7
Don't know/no answer	10.1
Reports are easy to read:	
Agree	57.9
Disagree	36.0
Don't know/no answer	6.1
Reports reveal company's personality:	
Agree	49.4
Disagree	43.3
Don't know/no answer	7.3
Reports often too promotional:	
Agree	58.3
Disagree	34.0
Don't know/no answer	7.7

WHAT PERCENT OF SPECIALTIES ARE USED?



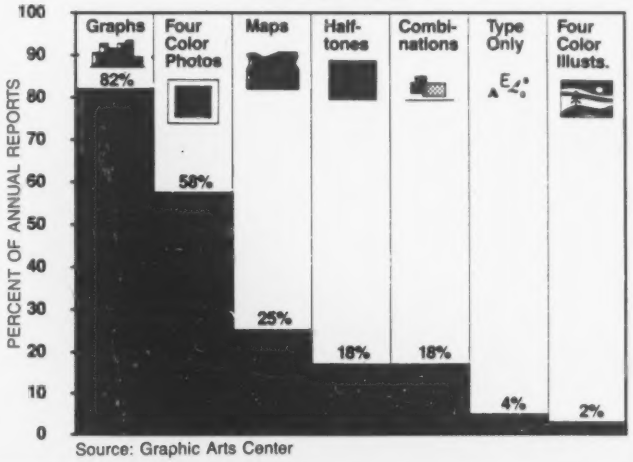
Source: Graphic Arts Center

WHAT KIND OF COVER DESIGN IS MOST FAVORED?



Source: Graphic Arts Center

WHAT KIND OF ART OR GRAPHICS IS MOST FAVORED FOR TEXT PAGES?



Source: Graphic Arts Center

PROFESSIONAL INVESTOR REACTIONS

Reports are essential:	Percent Responding
Basically agree	100.0
Basically disagree	0.0

Best information sources:	Importance Rating (%)*
Management interviews	92.2
Annual reports	80.0
10K, other SEC documents	74.5
Analysts meetings with management	67.1
Fact books	64.9
Media articles	51.6
Other Wall Street reports	47.2

**Respondents indicated multiple choices*

Annual reports fail to:	Percent Agreeing*
Display business segment numbers prominently and clearly	76.0
Candidly discuss bad news	92.0
Present information on company values	58.0
Give company's competitive situation	92.0
Clearly discuss current-year outlook	62.0
Clearly present goals/strategy	56.0

**Respondents indicated multiple choices*

Most important sections are:	Importance Rating (%)*
Financial statements	95.0
Business segment information	93.3
Financial review	87.0
Five- or 10-year financial summaries	86.8
Management's analysis	80.8
Review of the year	77.8
Quarterly summaries (two years)	73.8
Accounting policy	73.5
Financial highlights	70.4
Letter to shareholders	69.4

**Respondents indicated multiple choices*

operated typography and the result is a 20th century phenomenon: a corporate art form destined for a preeminent niche in American culture," Mr. Malcolm concludes.

Summary of findings

The GAC study also revealed the following:

Dimensions. Basic catalog size (which averages around 8½ inches by 11 inches) was the preferred size for 1983 annual reports (86 percent of respondents). This format files better, and both web and sheet-fed printing presses are designed to produce this size more economically than other formats. Larger reports accounted for 11 percent of the 457 reports studied, and smaller sizes made up the balance.

Pages. The average annual had 40 pages plus covers. The management discussion and financial review each averaged 20 pages, with a high of 44 pages and a low of eight for the former and 41 high and eight low for the latter.

Stock. Coated stock, both glossy and dull, was preferred by most companies for both report covers (90 percent) and pages (89 percent). Most covers were coated on both sides.

Binding. Saddle stitch was the most popular method of binding (61 percent), with adhesive binding second (26 percent), which correlated with the average number of pages. Double stitching was third (12 percent), spiral, Wire-O and GBC binding were used rarely (1 percent).

Specialties. Included different weights of stock, short folds, gate folds, interleaves, and reports placed in pockets of full-color brochures, inside folders or in protective covers. Only 64 companies (14 percent) used even one of the seven specialties: gate folds were used most often (6 percent of reports); short folds, 3 percent. Enclosed return cards and surveys were used by 2 percent; interleaves, folder covers, reports enclosed in brochures, and lightweight stock by 1 percent.

Color on covers. Four-color process and more than four colors were equally preferred (35 percent) by companies in all P/E ratios, with less than four colors close behind at 30 percent. The reason could be that many companies preferred to use a special effect such as foil or embossing on their covers. Within the more-than-four-colors category, five colors dominated (25 percent), followed by six colors (7 percent) and more than six colors (3 percent).

Color management review. More-than-four-color printing was preferred by a majority of the companies for their management reviews, with five colors again dominating (30 percent). Printing with six colors was second (26 percent), followed by more than four colors (19 percent) and four colors (16 percent). More than six colors was again the least preferred (9 percent).

Color in financial section. A surprising number of companies continued to use color in their financial sections, printing in more than four colors (77 percent). No other color category accounted for more than 15 percent. Less than four colors was the second choice (13 percent), followed by four colors (10 percent) and five colors (9 percent). Six colors were used by 3 percent and over six colors by 1 percent.

Graphics for covers and pages. Companies studied chose four-color photography most often for both covers (46 percent) and inside pages (58 percent). Second choice for covers was type (30 percent), while one-color halftones and a combination of artwork such as photographs and halftones tied for second place for inside pages with 18 percent. For covers, the combination of artwork was the third choice (7 percent), followed by one-color halftones (2 percent) and abstract art (1 percent). Diagrams and color graphs continued to be very popular for graphic emphasis (82 percent), while maps were used less often (35 percent).

Cover special effects. These included blind embossing, die cutting, silver and gold foiling, or a combination of these. Only 15 percent used these effects, and the most popular was blind embossing of either the company name and/or logo (8 percent). ■

THE PUBLIC RELATIONS ROLE

Public relations firms and advertising agencies continue to have little impact in the annual report market, according to the second annual survey conducted by Bradley Printing Company, Des Plaines, Illinois.

Internal staffs of most companies (85.2 percent) continue to write their own copy. Free-lance writers (used by 7.3 percent of respondents) continue to be the largest outside source, followed by public relations firms (5.4 percent) and advertising agencies (1.2 percent).

Decision-making criteria and opinions were sought from *Fortune* 500 companies and 88 other publicly held companies in the Midwest on annual report production, printing, and distribution. The 24.2 percent response this year was down slightly from last year's 25.4 percent.

Other information from the survey:

- Aside from shareholders, employees (by 27.6 percent of respondents), the media (17.7 percent), and colleges and schools (14.1 percent) receive the most reports.
- Companies are satisfied with the quality of their annual reports. Even with a larger budget, 61.9 percent would maintain their report's quality at the present level, up from 43 percent last year.
- The number of reports produced in less than four colors (14.9 percent) remains essentially the same, but the number produced with more than four colors (51.8 percent) is up.
- The total pages in annual reports will remain essentially the same, with only 7.9 percent indicating an increase in pages for the coming year.
- The need for better quality paper does not appear to be any concern; 95.6 percent of respondents are satisfied with the sheet they are now using, up from 88.6 percent a year ago.
- The message that companies want to communicate continues to be the major factor in determining the size, content, format and quality of annual reports, with production costs a very distant second.
- The use of special production features in annual reports increased considerably: press varnish by 73.6 percent, up from 50 percent last year; embossing by 12.8 percent, up from 5.2 percent; gatefolds by 10 percent, up from 7 percent; and foil stamping by 2.7 percent, up from 1.2 percent.
- Enhancement of the company image (selected by 33.7 percent of respondents) remains the most important benefit derived from the publication of the annual report, followed by its value as a public relations tool (30.8 percent). ■